



MONTANA 2007

Small Business Corporation Booklet

Dear Montana Business Taxpayer:

Your Montana Department of Revenue is committed to providing the best possible tax services to the citizens and businesses of our great state. We promise to do the best we can

- to provide you with the most accurate and timely assistance to help your business file its tax returns, and
- to ensure that all citizens and businesses pay their fair share of Montana taxes—no more and no less.

We thank you for filing and paying Montana taxes. By paying taxes, your business supports public services that help make Montana a great place to live, work and conduct commerce. On the inside cover you'll find charts that show how your tax dollars contribute to Montana's quality of life through education at all levels, modern infrastructure, public order, community health and safety, and other important public services. We also recognize that businesses like yours help make Montana a great state through your support for a wide range of community projects and services, both public and private.

Finally, we continue to work for you. Please let us know how we are doing—so that we can do an even better job for you—by completing the improvement survey attached to the instruction booklet. For your convenience, it is addressed with postage paid. In addition, you may contact us with any questions or requests by sending an e-mail message to dorforms@mt.gov or by calling (406) 444-6900.

Thank you for helping make our tax system work for all Montanans and for all the businesses that participate in our economy!

Best regards,

Dan Bucks

Director, Montana Department of Revenue

Montana Department of Revenue
PO Box 8021
Helena, MT 59604-8021

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No Return

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Additional forms that are not included in this booklet and that may be required to be filed with your Montana Form CLT-4S include:

PT-WH 2007 Backup Withholding Statement

PT-AGR Montana Pass-through Entity Owner Tax Agreement

PT-STM Montana Second tier Pass-through Entity Owner Statement

To receive forms or instructions, please call us at (406) 444-6900, e-mail dorforms@mt.gov, download from mt.gov/revenue, or mail your request to Montana Department of Revenue, P.O. Box 8021, Helena, Montana 59604-8021.

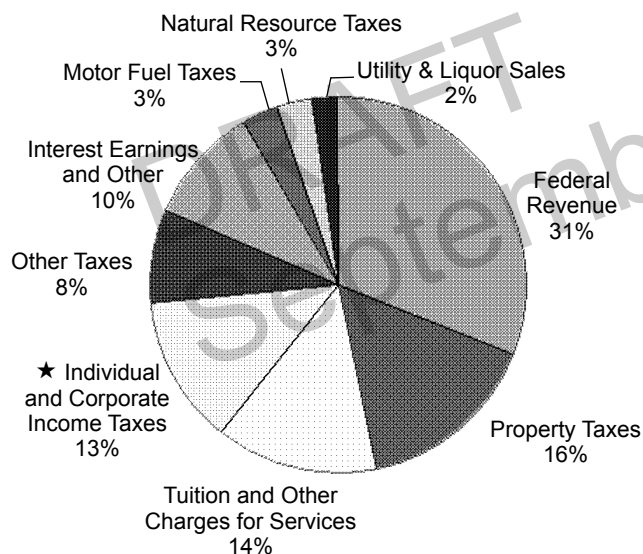
Fiscal Year Filers - Please Note:

This booklet contains your Montana Small Business Corporation Information and Composite Return forms for the tax year beginning in 2007. Retain it for your 2007 filing purposes.

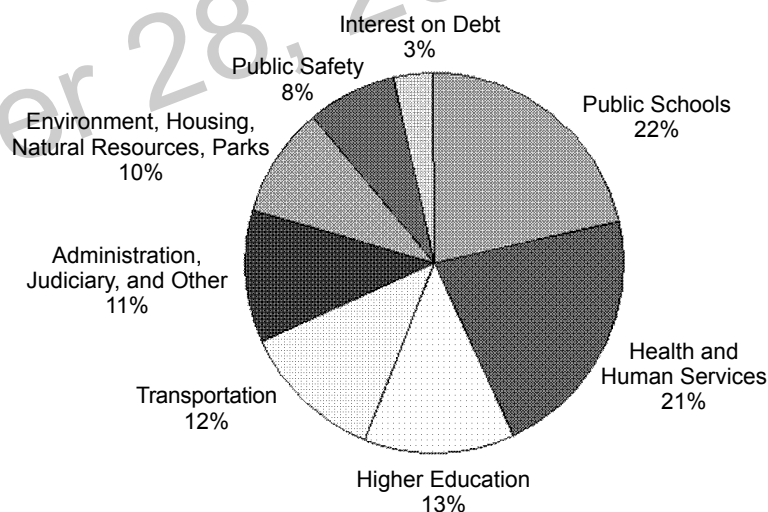
Your Tax Dollars at Work

The first chart shows the sources of revenue for both state and local governments in Montana for 2005, the most recent year for which totals are compiled. The second chart shows state and local spending.

What are Montana's Public Revenues?



Where Do Your Public Dollars Go?



★ Where Your Income Tax Dollar Goes

Education	49%
Health and Human Services	21%
Public Safety and Corrections	11%
Transfers to Local Governments	7%
General Government Operations	7%
Other	5%
Total Spending	100%

Important Numbers

Help Line(406) 444-6900
Forms Request.....(406) 444-6900
For the Hearing Impaired(406) 444-2830

These are not toll free numbers

The table above shows where your individual and corporate income tax dollars—about 13% of total state and local revenues—were spent in 2006.

Changes for 2007

Late Payment Penalty Reduced – Effective January 1, 2007, the late payment penalty has been reduced to 1.2% per month or fraction of a month. The penalty cannot exceed 12% of your composite tax.

Interest on Unpaid Income Tax Liabilities – Please note that the 8% rate which became effective January 1, 2007 will continue to be in effect through December 31, 2008. The daily accrual interest rate for all unpaid income taxes depends on the rate set by the Internal Revenue Service and may fluctuate each year, but will never be less than 8%. This rate applies to all income tax debts regardless of the age of the debt and does not affect any interest accrued before January 1, 2007.

General Information

Who must file Form CLT-4S?

An S corporation that is engaged in business in Montana and has Montana source income has to file an annual Montana S Corporation Information Return (Form CLT-4S). When you file Form CLT-4S, please attach a copy of your federal Form 1120S, including all federal Schedule K-1(s).

Montana Source Income

Montana source income includes the separately and non-separately stated income, gain, loss, deduction or credit, or items of income, gain, loss, deduction or credit that you have derived from a trade, business, occupation or profession carried on in Montana or that was derived from the sale or other transfer, or the rental, lease, or other commercial exploitation of property located in Montana.

Tax Period or Year Covered by the Return

The 2007 Form CLT-4S must be filed for the calendar year 2007 or the fiscal year beginning in 2007. If the return is for a fiscal year or a short tax year (less than 12 months) enter the taxable year in the space at the top of Form CLT-4S.

Check the box "Final Return" at the top of the return if the S corporation ceased to exist during the 2007 tax year.

Accounting Method and Period

The taxable year for Montana must be the same as the year used for federal income tax purposes. If the S corporation changes its federal taxable year, it must change its Montana taxable year accordingly. A copy of the approval from the Internal Revenue Service to change your accounting period must accompany the first return that reflects the change.

What has to be filed?

If your S corporation is made up of only Montana resident shareholders, you are not required to complete Schedules IV and V, or Forms PT-AGR and PT-STM. Additional filing requirements are listed below for those S corporations that have a shareholder who is a nonresident individual or a pass-through entity at any time during the tax year. A nonresident individual is a person who did not consider Montana as home at any time during the tax year even

though they may have lived and worked in Montana temporarily during the tax year. A pass-through entity is a partnership, S corporation, or disregarded entity. These requirements are:

- Form PT-AGR (Montana Pass-through Entity Owner Tax Agreement) executed by the nonresident individual that agrees to timely file, pay and be subject to personal jurisdiction of the State of Montana. The S corporation is not required to attach a new Form PT-AGR each year but it has to attach currently effective agreements for each new nonresident shareholder. It also needs to retain these agreements along with its tax records.
- Schedule IV (Montana S Corporation Composite Income Tax Schedule) for eligible shareholders who elect to participate in a composite filing.
- Schedule V (Pass-through Entity Backup Withholding Schedule) for a shareholder who is not participating in the S corporation's composite return or who has not provided the S corporation with a signed Form PT-AGR.

An S corporation that has a shareholder who is a pass-through entity (partnership, S corporation or disregarded entity) that itself has a nonresident individual, foreign C corporation or another pass-through entity as a shareholder at any time during the tax year has to include with its filing:

- Form PT-STM (Montana Second Tier Pass-through Entity Owner Statement) executed by the second tier pass-through entity that identifies the owners of the second tier pass-through entity and establishes that its Montana source income will be fully accounted for in Montana individual or corporation tax returns that are filed by the owners of the second tier pass-through entity. We require the Form PT-STM to be filed each year that the S corporation has a shareholder that is a pass-through entity that has a nonresident individual, pass-through entity, or foreign C corporation as a shareholder.

When to File

The Montana filing period is the same as your federal filing period. For a calendar year S corporation, Form CLT-4S is due on or before the 15th day of the 3rd month following the close of the taxable year. For a fiscal year S corporation, file Form CLT-4S by the 15th day of the third month following the close of the tax year. If the due date falls on a weekend or a holiday, the return is due on the next business day.

Where to File

Please mail your S Corporation Information and Composite Tax Return to:

Montana Department of Revenue
P.O. Box 8021
Helena, MT 59604-8021

Who has to sign the return?

Form CLT-4S has to be signed and dated by the president, vice president, treasurer, assistant treasurer, chief accounting officer or any other officer duly authorized

to sign the return. Form CLT-4S is not considered to be complete unless it is signed and we will return it to you to be completed if your return is not signed. If your S corporation has an outside accounting firm or individual prepare Form CLT-4S, the name, address and telephone number of the tax preparer has to be included on your return.

Tax Preparer Contact Box

The S corporation can authorize the department to discuss its tax return with its paid tax preparer by marking an "X" in the box at the bottom of page 2. Marking an "X" will allow the department to contact the paid preparer to answer any questions that may arise during the processing of the return.

Extension of Time to File

An S corporation is allowed an automatic six-month extension of time to file. This extends the time for filing Form CLT-4S and its supporting schedules and, where applicable, Forms PT-AGR and PT-STM.

You must check the extension indicator box on Form CLT-4S and attach a copy of your federal extension Form 7004 to your completed Montana income tax return. Do not send copies of the federal extension prior to filing your return.

IMPORTANT: An extension of time to file is NOT an extension to pay. If you do not pay the tax amount due by the original due date, you will owe interest and penalties on any balance due.

Amended Return

If you discover that your income tax return was incorrect, you have five years from the due date of the original return to file an amended Montana S corporation return and to correct any mistake on your previous return. Use Form CLT-4S to amend an original return. Check the box at the top of the form that this represents an amended return and check the box indicating the reason(s) for amending your return. Attach the applicable forms and statements that will explain all of your adjustments in detail. Complete the entire Form CLT-4S and its applicable schedules using the corrected amounts. If your amended return results in a change to income or a change in the distribution of any income or other information provided to any shareholder, you will also need to file an amended federal Schedule K along with your amended Form CLT-4S. You will need to give a copy of the amended return to each shareholder.

If the Internal Revenue Service changes or makes corrections to your federal Form 1120S or if your S corporation amends its federal return, you must file an amended Form CLT-4S within 90 days of receiving the Internal Revenue Service's notification of the corrections made to your federal Form 1120S or filing your amended federal return.

Instructions for Montana Form CLT-4S

Lines 1 through 10 - Enter the amounts reported on your federal Form 1120S, Schedule K, Shareholders' Pro Rata Share Items, Lines 1 through 10.

Bonus Depreciation: The Montana tax provisions incorporate Section 167, IRC, the depreciation allowance section, which is in effect with respect to the allowance of the 50% bonus depreciation for certain property. Therefore, the bonus depreciation allowed on an S corporation's federal tax return is an allowable deduction in determining the ordinary income (loss) for Montana.

Ordinary Dividends: Enter the total amount of ordinary dividends that you reported on your federal Form 1120S, Schedule K, line 5a. Montana taxes dividends as ordinary income and does not recognize the federal qualified dividend tax rate.

Lines 12 and 13 - Enter the amount of deductions that you reported on your federal Form 1120S, Schedule K, Lines 11 and 12, Shareholders' Pro Rata Share Items.

Line 15 - Shareholders' Share of Montana Additions to Income. To compute Montana income taxable to shareholders, certain items have to be added to income. You will need to attach a detailed schedule to the return. Examples are:

- State, county, and municipal interest and dividends not taxable under the Internal Revenue Code. Interest and dividends from Montana bonds are not taxable. You should report this amount on line 15a.
- State, local and foreign income taxes have to be added back to income. These taxes based on income or profits should be reported on line 15b. 15-31-114(1)(e), MCA.
- Report all other additions on line 15c and attach a detailed schedule reconciling the amount of other additions. Examples include: (1) expenditures used to compute the film production credit have to be included in the income of the year that the expenditures were incurred, and (2) Insure Montana premiums.

Line 16 - Shareholders' Share of Montana Exclusions and Deductions to Income. To compute Montana income taxable to shareholders, certain items are excluded or deducted from income. A detailed schedule has to be attached to the return. Examples are:

- Interest on United States government obligations and mutual fund dividends attributable to that interest are exempt from Montana income tax. In addition, interest on obligations from U.S. territory or government agency obligations that are specifically exempt by federal law and any mutual fund dividends attributable to this interest are exempt from Montana income tax.

Obligations that are guaranteed by the United States government are not tax exempt. If you have received interest or mutual fund dividends attributable to Government National Mortgage Association (Ginnie Mae) bonds, Federal National Mortgage Association (Fannie Mae) bonds, or Federal Home Loan Mortgage Corporation (Freddie Mac) securities, you cannot subtract this interest or mutual fund dividends since they are not exempt under federal law.

United States obligations that are exempt include the following.

- Series E, F, G, and H savings bonds
- U.S. treasury bills
- U.S. government notes
- U.S. government certificates

Please refer to your federal Form 1099-DIV to determine what percentage of your dividends qualifies for this exemption.

- b. An additional 10% deduction for the purchase of recycled material as computed on Form RCYL, part IV. A copy of Form RCYL has to be attached to your return. Report this amount on line 16b. 15-32-610, MCA.
- c. Report other deductions on line 16c and attach a detailed schedule reconciling the amount of other deductions including the following:
- The amount of contributions made by a small business to its independent liability fund. 15-31-117, MCA.
 - A portion of an investment made in a building for the purpose of conserving energy. To qualify, the building has to be used in the entity's business and the result of the investment has to be a substantial reduction in the amount of energy needed to render the building usable.
 - Current year capital losses have to be deducted in the year incurred. Attach a copy of federal Schedule D to Form CLT-4S. 15-31-114(1)(b)(i), MCA.
 - Documented expenses for the donation of mineral exploration information to the Montana Tech Foundation. 15-32-510, MCA.

Line 18 - Income Apportioned to Montana. For a multi-state S corporation, multiply the amount that is reported on line 17 by the apportionment percentage that you reported on line 5 of your Schedule I, multi-state S corporation apportionment factor. Enter the Montana apportioned income on line 18. See instructions for Schedule I on page 4.

Line 19 - Income Allocated Directly to Montana. For a multi-state S corporation, any income that is determined to be Montana allocable income should be reported on line 19.

Line 20 - S Corporation Information Return Late Filing Penalty. An S corporation is charged a late filing penalty if Form CLT-4S is filed after the due date, including the automatic six-month extension, unless the entity can show reasonable cause for not filing on time. The penalty is \$10 multiplied by the number of shareholders at the close of the tax year for each month or fraction of a month that the entity does not file the information return. This penalty is calculated for up to five months. A late filing penalty is not imposed on an entity that has ten or fewer shareholders if the shareholders have filed the required tax returns or other required reports timely and have paid all taxes when due.

Line 21 - Total Montana Composite Income Tax. Enter the total amount of composite tax reported on Schedule IV, column J. See instructions on pages 8 and 9.

Line 22 - Payments.

- 2006 overpayment applied to 2007 - Enter any overpayments from 2006 that were credited to 2007.
- 2007 estimated tax payments - Enter the total Montana estimated tax payments that you made for 2007.
- 2007 extension payment - Enter any Montana extension payment that you made for 2007.
- Other payments - Include any of your payments that you did not report above.
- Refunds previously issued (for amended returns only). If you received a refund when you filed your original return or a previously amended return, include the amount of the refund on line 22e.

Line 23 - Net Montana Composite Tax Due or Overpaid. Subtract line 22f from line 21 and enter the total.

Line 24 - Underpayment Interest. If your S corporation was required to make estimated composite tax payments and it did not remit the required amounts, you will have to pay interest on any underpayment. Calculate the amount of your underpayment interest using Worksheet I below.

Worksheet I - Participant's Calculation of Underpayment Interest for Failure to Make Estimated Payments

In 2007 your S corporation was required to have paid through estimated installments, the smaller of 1) 90% of your current year's total composite tax liability, after payments, or 2) an amount equal to 100% of your previous year's total composite tax liability. Payments made with extensions are not considered estimated payments. If your S corporation does not meet one of the above two requirements, the composite tax is subject to underpayment interest.

Short Method

- Enter your total 2007 composite tax reported on Form CLT-4S, line 21. _____
- Enter 90% of line 1 above. _____
- Enter the amount credited from previous year and reported on Form CLT-4S, line 22a. _____
- Subtract line 3 from line 1. If the result is \$500 or less, you do not need to complete the rest of the form. You do not owe interest on your underpayment. _____
- Enter your 2006 composite tax from Form CLT-4S, line 21. _____
- Enter the smaller of line 2 or line 5. _____
- Enter the amount from line 3 plus any estimated payments made and reported on Form CLT-4S, line 22b. _____
- Subtract line 7 from line 6. This is your total underpayment for the year. If zero or less, stop here. You do not owe interest on your underpayment. _____
- Multiply line 8 by 0.05320 and enter the result. _____

10. If the amount on line 8 was paid on or after the due date of your CLT-4S, enter zero. If the amount on line 8 was paid before the due date of your CLT-4S, multiply the amount on line 8 times number of days paid before the due date of the information return x 0.0002192. _____

11. Subtract line 10 from line 9. This is your underpayment interest. Enter the result here and on Form CLT-4S, line 24. _____

Line 25 - Late Filing Penalty. If you are late in filing your S Corporation Information and Composite Tax Return (Form CLT-4S), a late filing penalty of \$50 or the amount of composite tax owing (line 23), whichever is smaller, will be charged. There is no late filing penalty for the composite return if there was an overpayment of composite tax (line 23) and you are receiving a refund.

Line 26 - Late Payment Penalty. If you haven't paid your tax liability (line 23) by the due date of your S corporation return, you will have to pay a late payment penalty. This penalty is 1.2% per month or fraction of a month on the composite tax that was not paid by the original due date of the return. This penalty cannot exceed 12% of your composite tax on line 23.

Line 27 - Interest. Interest will be charged on any composite tax (line 23) that you have not paid by the due date of your partnership return.

If 100% of your tax liability is not paid by March 15, 2008 (for a calendar year return), interest is due at a rate of 8% per year, computed daily on your unpaid balance.

To calculate your interest, multiply line 23 by 0.0002192 (0.02192%) times the number of days after March 15, 2008 your payment is received.

Please remember that a valid extension of time to file your return does not extend the due date to pay your income tax later than March 15, 2008.

Line 28 - Montana Composite Penalties and Interest. Combine the amounts on Lines 24 through 27.

Line 29 - Add Lines 20, 23 and 28 and enter the result here.

Line 30 - Return(s) Amount Due. If the amount on line 29 is greater than zero, enter it on line 30. This is the amount due with your return in addition to any back-up withholding due.

Line 31 - Return(s) Overpayment. If the amount on line 29 is less than zero, enter it on line 31. This is the amount of your return overpayment before any back-up withholding that may be due.

Line 32 - 2008 Estimated Tax Payments. All or part of the refund that you reported on line 31 can be refunded, or carried over as a 2008 estimated tax payment. On line 32, enter the amount of the refund reported on line 31 that you want to be applied to your 2008 estimated tax.

Line 33 - Net Refund. Subtract line 32 from line 31 and enter the result here. This is the refund that will be issued.

Line 34 - Montana Corporation License Tax Withheld.

If a partner is a foreign C corporation and did not sign an agreement to file a Montana return and did not give the partnership permission to pay composite tax on its Montana source income, the partnership has to withhold tax at the rate of 6.75% on the corporation's Montana source income. Enter the amounts withheld for each partner and reported on Schedule V. See instructions on pages 9.

Line 35 - Montana Individual Income Tax Withheld. If a shareholder is a nonresident individual who did not sign an agreement to file a Montana return and did not give the S corporation permission to pay composite tax on the individual's Montana source income, the S corporation has to withhold tax at the rate of 6.9% on that individual's Montana source income.

If a shareholder is a pass-through entity (referred to as a second tier pass-through entity) and did not sign a statement that the owners of the second tier pass-through entity will file a Montana return or give the S corporation permission to pay composite tax on the shareholder's Montana source income, the S corporation has to withhold tax at the rate of 6.9% on the shareholder's Montana source income. Enter the amounts withheld for each shareholder and reported on Schedule V. See instructions on page 9.

Line 36 - Payments Previously Made for Tax Withheld.

Include on this line any payments that you previously submitted for taxes withheld from the shareholders' Montana source income. If this is an amended return, you should include withholding payments that were made on the shareholders' behalf when you filed the original return.

Line 37 - Total S Corporation Backup Withholding Due.

Subtract line 35 from line 34 and enter the result here.

Line 38 - Total Amount Due. If the amount on line 30 is greater than zero, add lines 30 and 36. This is the total amount that you should remit with your return.

Page 3 Reporting of Special Transactions

Check the appropriate boxes indicating which forms were required to be filed with your federal income tax return. If any statements are answered "yes," you will have to attach a copy of the applicable form.

For purposes of statement 8, "related party" has the same meaning given the term in Section 267(b) or Section 707(b) of the Internal Revenue Code; 26 USC. 267(b) or 26 USC. 707(b).

Instructions for Montana Schedule I

Schedule I applies only to multi-state S corporations.

In most cases, multi-state S corporations have to compute their income taxable to shareholders by means of the apportionment factor calculated on Schedule I. The apportionment factor is the standard UDITPA (Uniform Division of Income for Tax Purposes Act) three-factor formula of property, payroll and sales.

When an S corporation is engaged in a unitary business within and without the State of Montana, the net income assignable to Montana has to be determined using the apportionment factor. An S corporation is unitary when the operations of that business within the state depend on or contribute to the operations of that business outside the state. Schedule I has to be completed fully by every S corporation that carries on a unitary business within and without the state.

If you have determined the income that you attribute to Montana on some basis other than the apportionment method, you will need to include a full and detailed description of your business operation along with an explanation of the method that you proposed. Even though you can use an alternative method of determining your Montana taxable income, you will still need to complete and submit Schedule K.

Following is a detailed explanation of how to calculate the apportionment factor. To calculate each of the factors, use the following formula: column B divided by column A, multiplied by 100. Round out to the fourth decimal (example: 25.5555%).

Property Factor (Line 1, Schedule I) - 15-31-306, MCA.

The property factor is a fraction. The numerator is the average value of the S corporation's real and tangible personal property owned, leased or rented and used in Montana in the production of business income during the tax period. Enter the numerator values in column B of Schedule I. The denominator is the average value of all the S corporation's real and tangible personal property owned, leased or rented and used in the production of business income during the tax period. Enter the denominator values in column A of Schedule I.

Property owned by the S corporation is valued at its original cost. Real and tangible personal property that is used in that business includes land, building, machinery, equipment, stocks of goods, inventories, and other tangible property actually used in connection with the production of the business income to be apportioned. It does not include money, accounts receivable or other intangible property, real property that is held for investment or non-business purposes or idle property of any nature.

To the extent that it is utilized in Montana, migratory property has to be included in the numerator.

Unless we otherwise require it, the average value of owned property has to be determined by averaging the values at the beginning and ending of the tax period.

All property that you rent has to be valued at eight times the net annual rental rate. Rental expense cannot be averaged. You have to use your rental expense for the current year in this property factor.

Payroll Factor (Line 2, Schedule I) - 15-31-308, MCA.

The payroll factor is a fraction. The numerator is the total amount that you paid for compensation attributable to the production of business income during the tax period in Montana. Enter the numerator values in column B of Schedule I. The denominator is the total amount that

you paid for compensation attributable to the production of business income during the tax period. Enter the denominator values in column A of Schedule I. 15-31-309, MCA.

Payroll is considered to be paid in Montana if:

- the base of operations is in Montana,
- there is no base of operations and the place from which the service is directed or controlled is in Montana,
- the base of operations or the place from which the service is directed or controlled is not in a state where some part of the service is performed but the person who provides the service is located in Montana

Sales Factor (Line 3, Schedule I) - 15-31-310, MCA.

Sales means all gross receipts of the S corporation exclusive of non-business income and inter-company transactions. The sales factor is a fraction. The numerator is the S corporation's total sales in Montana during the tax period. Enter the numerator values in column B of Schedule I. The denominator is the S corporation's total sales everywhere during the tax period. Enter the denominator values in column A of Schedule I.

Sales of tangible personal property are in the state if:

- the property is delivered or shipped to a purchaser, other than the United States Government; or
- the S corporation is not taxable in the state of the purchaser.

Sales other than sales of tangible personal property are in the state if:

- the income-producing activity is performed in this state; or
- the income-producing activity is performed both in and outside this state and a greater proportion of the income-producing activity is performed in this state than in any other state, based on costs of performance.

Sum of Factors (Line 4, Schedule I) - Add lines 1, 2 and 3 in column C. Enter the result on line 4 in column C.

Apportionment Factor (Line 5, Schedule I) - Divide line 4 by the number of factors present. A factor is present if you have a value in column A for property, payroll or sales. Enter the apportionment factor on line 5 of Schedule I and also insert it on line 18, page 1 of Form CLT-4S, rounding it out to the fourth decimal (example: 25.5555%).

Instructions for Montana Schedule II

A tax credit claimed by an S corporation has to be attributable to its shareholders using the same proportion that was used to report the S corporation's income or loss for Montana income tax purposes. Please provide a detailed breakdown to each shareholder that shows how the credit is proportioned and a copy of the credit form and/or schedule that was used to calculate the credit.

The tax credits listed below cannot be taken as a credit against your composite tax reported on this Form CLT-4S.

Line 1 - Dependent Care Assistance Credit (Form DCAC). 15-30-186 and 15-31-131, MCA. Employers can claim a credit for the amount that they paid or incurred during the tax year for dependent care assistance provided to employees.

This assistance can be in the form of:

- acquiring, constructing, reconstructing, renovating, or improving real property for primary use as a day care facility;
- providing dependent care assistance to employees that meet the requirements of IRS code 26 USC 129(d)(2) through (d)(6);
- providing information and referral services to assist employees within the state in obtaining dependent care.

For detailed instructions, please see Form DCAC. If the credit is claimed, attach a copy of Form DCAC to your return.

Line 2 - College Contribution Credit (Form CC). 15-30-163, MCA. Shareholders in an S corporation who make charitable contributions to the general endowment funds of the Montana University System or to the general endowment fund of a Montana private college or its foundation during the year are allowed a credit in the amount of 10% of the aggregate of these contributions. The maximum amount of credit that can be claimed is \$500 per year with no provision for carry-back or carry-over. For detailed instructions, see Form CC. If the credit is claimed, attach a copy of Form CC to your return.

Line 3 - Health Insurance for Uninsured Montanans Credit (Form HI). 15-30-185, MCA. Employers can claim a credit for the health insurance premiums that are paid by that employer for its employees. If you are using insurance premiums to calculate the Insure Montana Credit (line 19) these premium payments cannot be used to calculate the Health Insurance for Uninsured Montanans Credit. For detailed instructions, see Form HI. If the credit is claimed, attach a copy of Form HI to the tax return.

Line 4 - Recycle Credit/Deduction (Form RCYL). 15-32-602 and 15-32-603, MCA. A business is entitled to a credit for investments in equipment or machinery used to collect, process or manufacture a product from reclaimed material or depreciable property that treats soil contaminated by hazardous wastes. The credit is a percentage (5% to 25%) of the cost of the property, before consideration of trade-in equipment. An exception to this is that the basis will be reduced by any trade-in for which this credit has been previously taken. For detailed instructions, see Form RCYL. If this credit is claimed, attach a copy of Form RCYL to the tax return.

Line 5 - Alternative Energy Production Credit (Form AEPC). 15-32-402, MCA. A credit is available for a qualified investment of \$5,000 or more in depreciable property for the use of a commercial system or a net metering system that is located in Montana and that generates energy by means of an alternative renewable energy source. The credit is 35% of the eligible costs associated with the purchase, installation, or upgrading of generating

equipment, safety devices and storage equipment, transmission lines necessary to connect with existing transmission facilities, and transmission lines necessary to connect directly to the purchaser of the electricity when no other transmission facilities are available. The credit is further limited, in that it can only be applied against the tax liability due as a consequence of the alternative energy system generating taxable or net income. The credit can be carried forward for seven succeeding years. An exception to the seven year carry forward period applies when the investment is located within the exterior boundaries of a Montana Indian reservation. For detailed instructions, see Form AEPC. If this credit is claimed, attach a copy of Form AEPC to the tax return.

Line 6 - Contractor's Gross Receipt Tax Credit. 15-50-207, MCA. A business is entitled to a credit for the public contractor's gross receipts tax paid. The credit is the gross receipts tax paid throughout the year after the personal property taxes are deducted. If the business reports its income on a percentage-of-completion basis, the credit has to be prorated proportionately. To support the credit that you claim, attach a schedule or statement including the contract name (and number, if any); location; general description (for example: building, road, bridge, etc.); name of awarding agency; name of prime contractor and the amount of gross receipts tax paid, as well as the amount that has been applied to personal property taxes. The credit cannot exceed the tax liability and any credit balance remaining can be carried forward by the shareholders for five succeeding tax years.

Line 7 - Alternative Fuel Credit (Form AFCR). 15-30-164, MCA. There is a credit for equipment and labor costs that you incur in order to convert a motor vehicle licensed in Montana to operate on alternative fuel. The maximum credit is equal to 50% of the equipment and labor costs incurred but cannot exceed: \$500 for conversion of a motor vehicle with a gross weight of 10,000 pounds or less; \$1,000 for conversion of a motor vehicle with a gross vehicle weight over 10,000 pounds. For detailed instructions, see Form AFCR. If the credit is claimed, attach a copy of Form AFCR and a detailed schedule of the costs to your tax return.

The credit should not be confused with the federal deduction for the purchase of a qualified clean-air vehicle.

Line 8 - Infrastructure Users Fee Credit. 17-6-316, MCA. You can claim a credit for the infrastructure users fee paid to a local government. To claim this credit, you have to meet the criteria set forth in 17-6-309(2), MCA, and pay the infrastructure users fee. This form has to be certified by the county, verifying the amount of the infrastructure users fee paid and the timeliness of your payment. This credit can be carried forward for seven years or carried back for three years.

Line 9 - Qualified Endowment Credit (Form QEC). 15-31-162, MCA. Shareholders are entitled to a credit for 40% of the present value of a planned gift made during the tax year to a qualified Montana endowment or for 20% of a direct contribution to a qualified endowment. The maximum amount of the credit that a shareholder may claim is

\$10,000 with no provision for carry-back or carry-over. The value of the gift that you used when you calculated the credit cannot be claimed as a charitable contribution. For detailed instructions, see Form QEC. If the credit is claimed, attach to the tax return, a copy of Form QEC and your verification requirements for any planned gift or outright charitable gift made to a qualified endowment. To learn more about the endowments statewide, visit the Governor's Task Force on Endowed Philanthropy website at www.endowmentmontana.org.

If a charitable gift is recovered in the current year by the S corporation, the shareholders may have to recapture in the current year the amount of the credit that they claimed in the year the credit was taken on their Montana return. The recapture is reported on line 9a of Schedule 11.

Line 10 - Historic Property Preservation Credit (Federal Form 3468). 15-30-180, MCA. A credit equal to 25% of the federal rehabilitation credit provided for in IRC section 47(a)(2) for the preservation of certain historic buildings located in Montana is allowed. If this credit is claimed, attach a copy of the federal Form 3468 to the tax return.

As an alternative to the percentage of the federal rehabilitation credit, a credit equal to 20% of the cost of creating a conservation easement and for the diminishing value of the historic property, including its building and structure, that resulted from placing a conservation easement on the property may be claimed.

Line 11 - Increasing Research Activities Credit (Form RSCH). 15-30-168 and 15-31-150, MCA. A credit is available for increases in qualified research expenses and basic research payments for research conducted in Montana. The credit is determined in accordance with IRC section 41, with the exception that the applicable rate is 5% for Montana purposes. This credit can be carried back two years and carried forward for 15 succeeding years. If this credit is claimed, attach Form RSCH to the tax return.

Line 12 - Mineral Exploration Incentive Credit (Form MINE-CRED). 15-32-503, MCA. A credit can be claimed for certified expenditures of mining exploration activities. Certified expenditures are the costs that are incurred for activities that directly support the exploration activity conducted at a specific exploration site. This credit applies to activities associated with both new mines and mines that are being reopened. A completed Form MINE-CRED has to be attached to your return. To obtain this credit, you will first have to submit a request that details the work done and the expenses incurred. This has to be done within 60 days following the end of the calendar year and reported on a form provided by the Department of Revenue. The department has until September 30 to certify whether expenses qualify for the credit.

Line 13 - Developmental Disability Account Contribution Credit. 15-30-187, MCA. There is a credit equal to 30% of the amount donated during the year to the Montana Developmental Disability Service Account. The maximum credit that you can claim is \$10,000 and cannot exceed your tax liability. If this credit is claimed, the contribution cannot be deducted as a reduction to taxable

income on your return. There is no carry-over provision allowed and the credit must be applied in the year the donation is made. For further information, call the Montana Department of Public Health and Human Services at (406)444-2995 or visit their website at <http://www.dphhs.mt.gov/dsd/>.

Line 14 - Empowerment Zone Credit. 15-30-182, MCA. An employer who has a business in an empowerment zone as described in 15-30-182, MCA is entitled to a credit for each new employee at this business. The Montana Department of Labor and Industry has to certify the business before that business can qualify for this credit.

Line 15 - Film Production Credit (Form FPC). 15-31-907 and 15-31-908, MCA. You can claim a credit for employing residents of Montana in a state-certified production. The credit is equal to the sum of 14% of the first \$50,000 or less that was compensated to each Montana resident who was employed in a state-certified production. You can elect to have this credit refunded or you can carry the credit forward for three years.

You can claim a refundable credit for qualified expenditures made in Montana in connection with a state-certified film production. The credit is equal to 9% of the total qualified expenses incurred in connection with the production. The qualified expenditures credit must be refunded if your tax liability is less than the amount of the credit.

The qualified compensation and expenditures used to calculate the credit cannot be taken as deductions that are used to calculate Montana taxable income.

If your production company's certification is revoked after you take the credit, the production company shall recapture the amount of any credits taken on line 15a of Schedule II.

Line 16 - Biodiesel Blending and Storage Tank Credit (Form BBSC). 15-32-703, MCA. A credit can be claimed by a qualified taxpayer for the cost of investments in depreciable property used for storing or blending biodiesel made from Montana products with petroleum diesel for sale. This credit can be carried over for seven tax periods if the facility is blending or storing biodiesel for blending. For detailed instructions, see Form BBSC. If this credit is claimed, attached a copy of Form BBSC to the tax return.

If the facility ceases blending biodiesel for sale for a period of 12 consecutive months within five years of claiming the credit, the credit is subject to recapture. If the facility's biodiesel sales are not at least 2% of all diesel sales by the end of the third year after the credit is initially claimed, the credit is subject to recapture. The recapture is reported on line 16a of Schedule II.

Line 17 - Oilseed Crushing and Biodiesel Production Facility Credit (Form OSC). 15-32-701 and 15-32-702, MCA. You can claim a credit for the cost of investments in qualifying depreciable property used to crush oilseed crops for the purpose of making biodiesel fuel or biolubricant, or used to construct or equip a facility in Montana to be used for producing biodiesel or biolubricant. This credit can be carried over for seven tax periods if the facility is crushing oilseed during that tax period. For detailed instructions,

see Form OSC. If this credit is claimed, attached a copy of Form OSC to the tax return.

If the facility for which the credit is claimed ceases operations for a period of 12 consecutive months within five years of claiming the credit, the credit is subject to recapture. The recapture is reported on line 17a of Schedule II.

Line 18 - Geothermal System Credit (Form ENRG-A).

15-32-115, MCA. A credit can be claimed for a portion of the installation costs of a geothermal system in the taxpayer's principal dwelling or in a residence constructed by the taxpayer. Only one credit may be claimed for a residence. The credit of \$1,500 can be carried forward for seven succeeding tax years. For detailed instructions, see Form ENRG-A. If this credit is claimed, attach a copy of Form ENRG-A to the tax return.

Line 19 - Insure Montana Small Business Health Insurance Credit.

If you were the owner of a business that received a tax credit from the Insure Montana Small Business Health Insurance program, enter the amount of credit you are entitled to on line 19. The amount of credit you may claim is the total credit amount issued to the business multiplied by your ownership percentage. For example, if you were a 50% owner and the business received \$6,000 in tax credit, you are entitled to claim \$3,000 (\$6,000 x 0.50). If you claim a credit for insurance premiums paid during the year, you have to include the amount of insurance premiums that you used to compute this credit in your income for the year that you incurred this expense.

If you are using insurance premiums to calculate the Health Insurance for Uninsured Montanans Credit (line 3) these premium payments cannot be used to calculate the Insure Montana Credit.

Enter the Federal Employer Identification Number (FEIN) of the business which received the credit in the space provided. If you were the owner of more than one company receiving the credit, enter the FEIN of the company that received the highest amount of credit. Attach a copy of the letter from the State Auditor's Office providing the final amount of tax credit the business received.

Instructions for Montana Schedule III

Include all shareholders on this form. If you need additional space, you can make copies of Schedule III, or you can create your own schedule as long as you use exactly the same format shown on the schedule. We cannot accept copies of federal Schedule K-1 in place of a completed Schedule III. If Schedule III is not completed, we will return Form CLT-4S for you to complete.

Shareholder Information. The shareholder information on Schedule III, columns A through D, has to be completed for all shareholders of the S corporation. Complete columns E through H for any shareholder who is a nonresident individual or a second tier pass-through entity.

Column A - Name and Address of Shareholder. Enter the name and complete address of each shareholder. Include the street name, city, state and zip code.

Column B - Identification Number. If the shareholder is an individual, enter the social security number (SSN) of the individual as it appears on the federal Schedule K-1 in the top box in column B. If the shareholder is an S corporation, disregarded entity, trust or estate, enter the federal employer identification number (FEIN) of the shareholder as it appears on the federal Schedule K-1 in the bottom box in column B.

Column C - Percentage of Ownership. Enter each shareholder's percentage of ownership in the S corporation that is used to calculate the shareholder's share of Montana source income. The total of column C should be 100%.

Column D - Montana Source Income. Enter each shareholder's share of the S corporation's Montana source income. Montana source income is the aggregate of the shareholder's share of income, gain, losses, or deductions or other expenses of the S corporation, which are deductible only by the S corporation and which are attributable to Montana.

Column E - Federal Income. Enter the shareholder's share of the S corporation's total federal income from all sources. This includes the aggregate of the shareholder's federal share of income, gain, losses, deductions or other expenses of the S corporation for federal tax purposes.

Column F - Composite Income Tax. Enter the amount of composite income tax for each shareholder that you calculated on Schedule IV, column J.

Column G - Shareholder Withholding. You will have to withhold tax for those nonresident shareholders who did not file a consent agreement or statement and did not elect to have the S corporation pay composite tax. Fill in the amount of backup withholding that you reported to us on your Schedule V, column E.

Column H - Consent Agreement or Statement. The information supplied in this column is for nonresident shareholders who will be filing a Montana return. A shareholder is considered a nonresident if the individual shareholder is not a Montana resident. An S corporation is not required to complete and attach a new agreement each year as long as we have an up-to-date Form PT-AGR for that owner. You only need to provide Form PT-STM for a second tier pass-through entity that has a nonresident owner. If the shareholder is a second tier pass-through entity, we have to receive a new Form PT-STM each year. In column H, enter the year that the form was provided to us or attach copies of up-to-date, signed agreements and statements and enter "2007" in column H.

Instructions for Montana Schedule IV

Montana S Corporation Composite Income Tax Schedule

If you need additional space, you can make copies of Schedule IV, or you can create your own schedule as

long as you use exactly the same format shown on the schedule.

An S corporation can elect to file a composite return and pay a composite tax on behalf of a participating eligible shareholder. The tax credits from Schedule I cannot be applied to reduce your composite tax. The tax credits may be used only to offset income tax that was reported on the shareholder's Montana individual income tax return.

To be eligible to file a composite return, a shareholder has to:

- be a nonresident individual, or
- be a pass-through entity—also referred to as a second tier pass-through entity, and
- have only Montana source income from the S corporation or from other S corporations or S corporations in which an election has been made to participate in the filing of a composite return.

An S corporation can include a shareholder in filing a composite return only upon receipt of a power of attorney executed and signed by an eligible shareholder. The power of attorney authorizes the S corporation to act on behalf of the participating shareholder. Do not submit the power of attorney with the return but retain it as authorization from the shareholder and for use in subsequent years.

Upon receipt of a signed power of attorney and filing of the composite return, the S corporation is responsible for:

- remitting the composite tax to the department;
- paying any additional tax, penalty and interest associated with the composite return;
- representing the participants in any appeals, claims for refunds, hearing or court proceeding; and
- making quarterly estimated payments.

Column A - Name and Address of Shareholder. List the name and address of the shareholder as it appears on your Form CLT-4S, Schedule III.

Column B - Social Security Number or Federal Employer Identification Number. Enter the social security number or federal employer identification number of the participating shareholder as this appears on your Form CLT-4S, Schedule III.

Column C - Federal Income from Entity. Enter the participating shareholder's share of the S corporation's total federal income from all sources that you reported on your federal Schedule K-1. This includes the aggregate of the shareholder's share of income, gain, losses, deductions or other expenses of the S corporation for federal income tax purposes.

Column D - Standard Deduction. Each eligible participating shareholder is allowed one standard deduction equal to 20% of column C, but not less than \$1,690 or more than \$3,810. An individual shareholder who has filed a joint federal return with a spouse is entitled to only one standard deduction.

Column E - Exemption. Each participating shareholder is allowed one exemption of \$2,040. An individual shareholder who has filed a joint federal return with a spouse is entitled to only one exemption.

Column F - Taxable Income. Subtract column D from column C, then subtract column E from the result. Enter this amount in column F.

Column G - Tax from Tax Table. Use the tax table at the bottom of Schedule IV to calculate the tax on the amount in column F. Enter the result in column G. This amount cannot be less than \$0.

Column H - Montana Source Income. Enter the participating shareholder's share of the S corporation's Montana source income. The share of Montana source income is the aggregate of the shareholder's share of income, gain, losses, deductions or other expenses of the S corporation, which are deductible only by the S corporation and which are attributable to Montana.

Column I - Ratio. Divide Montana source income in column H by the federal income from the S corporation reported in column C. Carry to four decimal places. Do not enter more than 1.0000.

Column J - Montana Composite Income Tax Liability. Multiply the amount in column G, tax from tax table, by the ratio in column I and enter the result. This is the participant's Montana composite tax liability and it has to be a positive number. A net operating loss is not created when you compute composite tax.

Instructions for Montana Schedule V

Pass-through Entity Backup Withholding Schedule

Schedule V is used to report the withholding payment(s) made for nonresident shareholders who have not signed the Form PT-AGR (Montana Pass-through Entity Owner Tax Agreement) or who are not included on Schedule IV (Montana S Corporation Composite Income Tax Schedule).

You no longer need to submit Form PT-WH with Schedule V. Form PT-WH has to be completed and sent to the shareholder listed in column A of Schedule V. You should keep a copy for your records.

Column A - Name of Eligible Participating Shareholder. List the name of the participating shareholder or member as this appears on your Form CLT-4S, Schedule III.

Column B - Social Security Number or Federal Employer Identification Number. Enter the social security number or federal employer identification number of the shareholder as this appears on your Form CLT-4S, Schedule III.

Column C - Total Montana Source Income. Enter the shareholder's share of the S corporation's Montana source income that you reported on your Form PT-WH, line 1. The share of Montana source income is the aggregate of the shareholder's share of income, gain, losses, deductions or other expenses of the S corporation, which are deductible only by the S corporation and which are attributable to Montana.

Column D - Montana Corporation Tax Withheld. If the shareholder is a foreign C corporation, multiply the amount in column C by 6.75% and enter the result in column D.

Column E - Montana Individual Tax Withheld. If the shareholder is a nonresident individual or a second tier pass-through entity, multiply the amount in column C by 6.9% and enter the result in column E.

DRAFT
September 28, 2007



2007 Montana S Corporation Information and Composite Tax Return

Attach a copy of federal Form 1120S and Schedule K-1(s)

S
MONTANA
CLT-4S
Rev. 7-07

For calendar year 2007 or tax year beginning (MM-DD) ____ - ____ - **07** and ending (MM-DD-YY) ____ - ____ - ____

Name		Check box if this is a change of address. <input type="checkbox"/>	FEIN: _____ Federal Business Code: _____
Address		Incorporated in State of: _____	
City	State	Zip + 4	Date: _____ Date Qualified in Montana: _____

- ☐ Check here, if you do not need the Montana S Corporation Information Return and Instructions sent to you next year.
☐ Check here, if you are filing Schedule V, Backup Withholding Payments with this return.
☐ Check here, if you are requesting a refund with this return.

- ☐ Check if this an initial return
☐ Check if this is a final return
Reason for final return
- | | | | |
|----------------|-----------------------------|--|-----------------------------|
| a. Withdrawn | a. <input type="checkbox"/> | <input type="checkbox"/> Check here if this is an amended return | |
| b. Dissolved | b. <input type="checkbox"/> | If you check the box above, check all that apply below: | |
| c. Merged | c. <input type="checkbox"/> | a. Federal Revenue Agent Report (a complete copy of this report is required) | a. <input type="checkbox"/> |
| d. Reorganized | d. <input type="checkbox"/> | b. Apportionment factor changes (attach a statement explaining adjustments) | b. <input type="checkbox"/> |
| | | c. Amended federal return | c. <input type="checkbox"/> |
| | | d. Amended composite return | d. <input type="checkbox"/> |
| | | e. Other (attach a statement explaining all adjustments in detail) | e. <input type="checkbox"/> |

Shareholders' Pro Rata Share Items (Form 1120S, Schedule K)

1. Ordinary business income (loss)	1.	
2. Net rental real estate income (loss) (attach federal Form 8825)	2.	
3. a. Other gross rental income (loss)	3a.	
b. Expenses from other rental activities (attach schedule)	3b.	
c. Subtract line 3b from line 3a. This is your other net rental income or loss.	3c.	
4. Interest income	4.	
5. Ordinary dividends	5.	
6. Royalties	6.	
7. Net short-term capital gain (loss) (attach federal Schedule D, Form 1120S)	7.	
8. Net long-term capital gain (loss) (attach federal Schedule D, Form 1120S)	8.	
9. Net section 1231 gain (loss) (attach federal Form 4797)	9.	
10. Other income (loss)	10.	
11. Add lines 1 through 10 and enter result. This is your total share of income or loss.	11.	

Shareholders' Shares of Deduction (Form 1120S, Schedule K)

12. Section 179 deduction (attach federal Form 4562)	12.	
13. a. Contributions	13a.	
b. Investment interest expense	13b.	
c. Section 59(e)(2) expenditures (attach detailed schedule)	13c.	
d. Other deductions (attach detailed schedule)	13d.	
14. Add lines 12 through 13d and enter result. This is your total share of deductions.	14.	

Shareholders' Distributive Shares of Montana Additions and Exclusions to Income

15. a. Interest and dividends not taxable under the Internal Revenue Code (non-Montana)	15a.	
b. Taxes based on income or profits	15b.	
c. Other additions (attach a detailed breakdown)	15c.	
Add lines 15a, 15b, and 15c and enter result. This is your total Montana additions to income.	15.	
16. a. Interest on U.S. Government obligations (attach schedule)	16a.	
b. Deduction for purchasing recycled material (attach Form RCYL)	16b.	
c. Other deductions (attach detailed breakdown)	16c.	
Add lines 16a, 16b, and 16c and enter result. This is your total Montana deductions to income.	16.	
17. Subtract line 14 from line 11. Add the result to line 15, then subtract line 16 from that result.	17.	

Shareholders' Distributive Shares of Multi-state Apportionment and Allocation

18. Multi-state taxpayers: Enter line 17 X _____ % from Montana Schedule I, line 5.	18.	
19. Multi-state taxpayers: Enter here income or loss allocated directly to Montana.	19.	

Entity name _____ Tax period ending _____ FEIN _____

Calculation of Net Amount Due**S Corporation Information Return Late Filing Penalty**20. S corporation information return late filing penalty (see instructions)..... 20. **S Corporation Composite Return Tax**21. Enter your Montana total composite tax from Schedule IV, column J 21. **Return Payments**

22. a. 2006 overpayment applied to 2007 22a.

b. 2007 estimated payments 22b.

c. 2007 extension payment 22c.

d. Other payments 22d.

e. Previously issued refunds (amended returns only - see instructions) 22e. ()

f. Add lines 22a through 22e and enter the result here. **This is the total of your return payments.** 22f.

23. Subtract line 22f from line 21 and enter the result here 23.

This is your Montana net composite tax due or overpaid.**Composite Return Penalties and Interest Calculation**

24. Interest on underpayment of estimated taxes 24.

25. Composite income tax return late filing penalty 25.

26. Composite income tax return late payment penalty 26.

27. Interest (see instructions) 27.

28. Add lines 24 through 27 and enter the result here 28.

This is your Montana composite penalties and interest.**Refund or Amount Owed**

29. Add lines 20, 23 and 28 and enter the result here 29.

30. If line 29 is greater than zero, enter it here. **This is the amount you owe.** 30.

31. If the amount on line 29 is less than zero, enter it here. **This is your overpayment.** 31. ()

32. Enter the amount on line 31 you want applied to your 2008 composite estimated tax . 32.

33. Subtract line 32 from line 31 and enter the result here. **This is your refund.** 33. ()

S Corporation Backup Withholding Payment from Schedule V

34. Enter your Montana corporation license tax withheld from Schedule V, column D 34.

35. Enter your Montana individual income tax withheld from Schedule V, column E 35.

36. Payments previously made for tax withheld 36.

37. Add lines 34 and 35, then subtract line 36. **This is your total S corporation backup withholding due.** . 37.

38. If the amount on line 30 is greater than zero, add lines 30 and 37. **This is your total due.** 38.

This return has to be signed by one of the following: president, vice president, treasurer, assistant treasurer, or chief accounting officer.

Declaration

I, the undersigned officer of the corporation for which this return is made, hereby declare that this return, including all accompanying schedules and statements, is to the best of my knowledge and belief a true, correct and complete return, made in good faith for the income period stated, pursuant to the Montana statutes and regulations.

Signature of officer		Date
Print name	Title	Telephone number, ext.
Name of person or firm preparing return		Date
Preparer's identification number		Telephone number

☐ Check here to authorize the Montana Department of Revenue to discuss your return with the individual/preparer listed above.

Entity Name _____ Tax period ending _____ FEIN _____

Reporting of Special Transactions

You will need to attach to your Montana return a complete copy of the applicable form if you checked "Yes" for any of the following.

1. I filed federal Form 8264 – Application for Registration of a Tax Shelter with the Internal Revenue Service. Form 8264 is required to be filed to register a tax shelter.	<input type="checkbox"/> Yes <input type="checkbox"/> No
2. I filed federal Form 8271 – Investor Reporting of Tax Shelter Registration Number with the Internal Revenue Service. Form 8271 is used to report the tax shelter registration number that the Internal Revenue Service assigns to certain tax shelters required to be registered under 26 USC 6111 and to report the name and identifying number of the tax shelter.	<input type="checkbox"/> Yes <input type="checkbox"/> No
3. I filed federal Form 8824 – Like-Kind Exchanges with the Internal Revenue Service. Check "Yes" if your like-kind exchange includes Montana property. Form 8824 is used to report each exchange of business or investment property for property of a like-kind.	<input type="checkbox"/> Yes <input type="checkbox"/> No
4. I filed federal Form 8865 – Return of U.S. Persons With Respect to Certain Foreign Partnerships with the Internal Revenue Service. Form 8865 is used to report the information required under 26 USC 6038 (reporting with respect to controlled foreign partnerships), section 6038B (reporting of transfers to foreign partnerships), or section 6046A (reporting of acquisitions, dispositions, and changes in foreign partnership interest).	<input type="checkbox"/> Yes <input type="checkbox"/> No
5. I filed federal Form 8886 – Reportable Transaction Disclosure Statement with the Internal Revenue Service. Form 8886 is used to disclose information for each reportable transaction in which you participated.	<input type="checkbox"/> Yes <input type="checkbox"/> No
6. I filed federal Form 13657 - Notice of Election by Corporation to Participate in Announcement 2005-19 Settlement Initiative with the Internal Revenue Service. Form 13657 is an election to participate in the settlement initiative as described in Announcement 2005-19 and as contained in Internal Revenue Bulletin 2005-11 dated March 14, 2005.	<input type="checkbox"/> Yes <input type="checkbox"/> No
7. I filed federal Form 13750 – Election to Participate in Announcement 2005-80 Settlement Initiative with the Internal Revenue Service. Form 13750 is an election to participate in the settlement initiative as described in Announcement 2005-80 and as contained in Internal Revenue Bulletin 2005-46 dated November 14, 2005.	<input type="checkbox"/> Yes <input type="checkbox"/> No

Complete this section if you made a disbursement to a related party

8. During this tax year I have made payments to related parties (excluding salary compensation) that exceed \$100,000 per recipient. If your answer is "Yes" to this question, please provide the name and federal employer identification number of each related party below and the amount that you paid to each related party:	<input type="checkbox"/> Yes <input type="checkbox"/> No												
<table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: center;">Name</th> <th style="text-align: center;">FEIN</th> <th style="text-align: center;">Amount of Payment</th> </tr> </thead> <tbody> <tr> <td>_____</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>_____</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>_____</td> <td>_____</td> <td>_____</td> </tr> </tbody> </table>	Name	FEIN	Amount of Payment	_____	_____	_____	_____	_____	_____	_____	_____	_____	
Name	FEIN	Amount of Payment											
_____	_____	_____											
_____	_____	_____											
_____	_____	_____											

Schedule I

Entity name _____ Tax period ending _____ FEIN _____

Apportionment Factors for Multi-state S Corporations

Enter amounts in columns A and B. Enter percentages in column C.

A. Everywhere	B. Montana	C. Factor
---------------	------------	-----------

1. Property Factor: Use average value for real and tangible personal property

- a. Land.....
- b. Buildings.....
- c. Machinery.....
- d. Equipment.....
- e. Furniture and fixtures.....
- f. Leased property.....
- g. Inventories.....
- h. Supplies and other.....
- i. Property of foreign subsidiaries included in combined unitary group.....
- j. Property of unconsolidated subsidiaries included in combined unitary group.....
- k. Property of pass-through entities included in combined unitary group.....
- l. Multiply amount of rents by 8 and enter result.....

Total Property Value add lines 1a through 1l.....Take the total in column B and divide it by the total in column A. Multiply the result by 100. **This is your property factor.**.....%**2. Payroll Factor:**

- a. Compensation of officers.....
- b. Salaries and wages.....
- Payroll included in:
- c. Costs of goods sold.....
- d. Repairs.....
- e. Other deductions.....
- f. Payroll of foreign subsidiaries included in combined unitary group.....
- g. Payroll of unconsolidated subsidiaries included in combined unitary group.....
- h. Payroll of pass-through entities included in combined unitary group.....

Total Payroll Value add lines 2a through 2h.....Take the total in column B and divide it by the total in column A. Multiply the result by 100. **This is your payroll factor.**.....%**3. Sales (Gross Receipts) Factor:**

- a. Gross sales, less returns and allowances.....
- b. Sales delivered or shipped to Montana purchasers:
 - Shipped from outside Montana.....
 - Shipped from within Montana.....
- c. Sales shipped from Montana to:
 - United States Government.....
 - Purchasers in a state where the taxpayer is not taxable.....
- d. Sales other than sales of tangible personal property (i.e. service income)
 - Less: Intercompany sales..... () ()
- e. Net gains reported on federal Schedule D and federal Form 4797.....
- f. Other gross receipts (rents, royalties, interest, etc).....
- g. Sales (receipts) of foreign subsidiaries included in combined unitary group.....
- h. Sales (receipts) of unconsolidated subsidiaries included in combined unitary group.....
- i. Sales (receipts) of pass-through entities included in combined unitary group.....
- j. Less: Other intercompany transactions..... () ()

Total Sales Value add lines 3a through 3j.....Take the total in column B and divide it by the total in column A. Multiply the result by 100. **This is your sales factor.**.....%**4. Add the percentages on lines 1, 2, and 3 in column C. This is the sum of your factors.**.....%

- 5. Divide the total percentage on line 4, column C, by the number of factors that can be included in the calculation. If there is a value in column A for a factor category (Property, Payroll, or Sales) you should include this factor as part of the calculation (see instructions). Enter the results here and also insert in on line 18, page 1 of Form CLT-4S. This is your apportionment factor.**.....%

Schedule II

Entity name _____ Tax period ending _____ FEIN _____

Montana S Corporation Tax Credits	
Type of Credit	Amount of Credit
1. Montana Dependent Care Assistance Credit attach Form DCAC	
2. Montana College Contribution Credit attach Form CC	
3. Health Insurance for Uninsured Montanans Credit attach Form HI	
4. Montana Recycle Credit attach Form RCYL	
5. Alternative Energy Production Credit attach Form AEPC	
6. Contractor's Gross Receipts Tax Credit attach supporting schedule	
7. Alternative Fuel Credit attach Form AFCR	
8. Infrastructure Users Fee Credit	
9. Qualified Endowment Credit attach Form QEC	
9a. Qualified Endowment Credit Recapture	()
10. Historical Buildings Preservation Credit attach federal Form 3468	
11. Increase Research and Development Activities Credit attach Form RSCH	
12. Mineral Exploration Incentive Credit attach Form MINE-CRED	
13. Developmental Disability Account Contribution Credit	
14. Empowerment Zone Credit	
15. Film Production Credit attach Form FPC	
15a. Film Production Credit Recapture	()
16. Biodiesel Blending and Storage Credit attach Form BBSC	
16a. Biodiesel Blending and Storage Credit Recapture	()
17. Oilseed Crushing and Biodiesel Production Credit attach Form OSC	
17a. Oilseed Crushing and Biodiesel Production Credit Recapture	()
18. Geothermal System Credit attach Form ENRG-A	
19. Insure Montana Credit	
Add lines 1 through 19 and enter result. This is the amount of your total credits.	

Any credit allowed to an S corporation has to be attributable to its shareholders using the same proportion that is used when it reported that S corporation's income or loss for Montana income tax purposes. Please provide a detailed breakdown that shows each shareholder's share of the credit.

In order to receive these credits, all shareholders will have to attach their applicable credit forms to their individual income or corporation license tax returns.

Schedule III

Entity name _____ Tax period ending _____ FEIN _____

Montana S Corporation Information

Enter the total number of shareholders that own this corporation. _____

All Shareholders				Nonresident or Pass-through Entity Shareholders Additional Information Columns E through H have to be filled out for all nonresident individual and second tier entity shareholders.			
A	B	C	D	E	F	G	H
Name and address of shareholder Name Street/Address City State Zip Code	Identification Number	Ownership %	Montana source income	Federal income from entity (from federal Schedule K-1)	Composite income tax (from Schedule IV, column J)	Shareholder withholding (from Schedule V, column E)	Consent agreement or statement (enter year signed)
1.	SSN						
	FEIN						
2.	SSN						
	FEIN						
3.	SSN						
	FEIN						
4.	SSN						
	FEIN						
5.	SSN						
	FEIN						
6.	SSN						
	FEIN						
7.	SSN						
	FEIN						
Column Totals							

Use additional sheets if necessary or you may create your own schedule if you use the exact same format used here.

Schedule IV

Entity name _____ Tax period ending _____ FEIN _____

Montana S Corporation Composite Income Tax Schedule

Eligible Participating Shareholders: An eligible participant is a shareholder who is a nonresident individual or a pass-through entity whose only Montana source income for the tax year is from this entity and from other pass-through entities who have elected to file a composite return and pay a composite tax on behalf of the eligible participating shareholder. The entity must retain an executed power of attorney signed by the eligible participating shareholder, authorizing the S corporation to file a composite return and act on the shareholder's behalf.

Enter the number of participating shareholders. _____		Enter below in columns A through J the required information and amounts for each eligible participating shareholder.									
A	B	C	D	E	F	G	H	I	J		
Name	Social Security Number or Federal Employer Identification Number	Federal income from entity	Standard deduction	Exemption \$2,040	Calculate Montana taxable income. Subtract column D from column C then subtract column E from the result.	Enter the appropriate tax from the tax table below.	Montana source income	Ratio. Divide column H by column C and enter result.	Montana composite income tax. Multiply column G times column I and enter result.		
1.											
2.											
3.											
4.											
5.											
6.											
7.											
8.											
9.											
10.											
11.											
13.											
14.											
Column J Total											

Transfer the total from column J to CLT-4S, page 2, line 21.

Use additional sheets if necessary or you may create your own schedule if you use the exact same format used here.

If your Taxable Income is Over		but not Over		Multiply your Taxable Income by	and Subtract	equals your Tax
\$0	\$2,500	0.010	\$0			
\$2,500	\$4,400	0.020	\$25			
\$4,400	\$6,600	0.030	\$69			
\$6,600	\$9,000	0.040	\$135			

Schedule V

Entity Name _____ Tax period ending _____ FEIN _____

Pass-through Entity Backup Withholding Schedule

Enter the appropriate information below.

Total number of shareholders subject to Schedule V _____				
A	B	C	D	E
Name and address of nonresident individual, foreign C corporation and second tier pass-through entity	Identification number	Income and backup withholding		
		Montana source income reported on Form PT-WH, line 1	Montana corporation tax withheld Multiply column C by 6.75% and enter result.	Montana individual tax withheld Multiply column C by 6.9% and enter result.
1.				
	SSN			
	FEIN			
2.				
	SSN			
	FEIN			
3.				
	SSN			
	FEIN			
4.				
	SSN			
	FEIN			
5.				
	SSN			
	FEIN			
6.				
	SSN			
	FEIN			
7.				
	SSN			
	FEIN			
Column totals (transfer to Form CLT-4S, page 2, lines 34 and 35 respectively)				
Add totals from column D and column E and enter the result here. This is your total backup withholding.				

Use additional sheets if necessary or you can create your own schedule if you use the exact format used here.